

Agenda Date: 9/22/04

Agenda Item: IV C



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

IN THE MATTER OF THE PETITION)
OF LOOKING GLASS NETWORKS, INC.,)
FOR GRANT OF AUTHORITY)
NECESSARY FOR AN INDIRECT)
TRANSFER OF CONTROL)

TELECOMMUNICATIONS

ORDER OF APPROVAL

DOCKET NO. TM04070685

(SERVICE LIST ATTACHED)

BY THE BOARD:

On July 12, 2004, Looking Glass Networks, Inc. (LGN or Petitioner) filed a petition with the Board of Public Utilities (Board) requesting the approval of a series of transactions through which indirect control of LGN would be transferred (Transactions). LGN's parent company, Looking Glass Networks Holding Co., Inc. (LGN Holding), will be acquired by current LGN Holding lenders (LGN Lenders) through the conversion of their debt into equity interests. Following the Transactions, indirect ownership of LGN will be split amongst the current LGN Lenders (80%) and LGN's current shareholders and management (LGN Shareholders), which includes a reduction of the interest of LGN Holding's parent, Looking Glass Networks, LLC, from 100% to 5%. The Transactions will enable LGN and LGN Holding to restructure and reduce their aggregate debt from approximately \$167 million to approximately \$55 million. Upon approval, LGN will continue to offer services on the same terms, rates and conditions that it currently provides such services in the state.

BACKGROUND

LGN, a Delaware corporation with offices located in Oak Brook, Illinois, is a wholly owned subsidiary of LGN Holding, a corporation formed under the laws of the Delaware. LGN Holding is a wholly owned subsidiary of Looking Glass Networks, LLC, a Delaware limited liability company. In New Jersey, LGN was authorized to provide facilities-based competitive interexchange and local exchange services pursuant to authority granted by Order of the Board on April 11, 2001. See Order, I/M/O the Petition for an Order Authorizing Looking Glass Networks, Inc. to Provide Local Exchange and Interexchange Telecommunications Services Throughout New Jersey, Docket No. TE00050288. In New Jersey LGN has 18 business customers.

Transactions, will collectively hold an 80% indirect voting and economic interest in LGN. As a result, control in LGN Holding will be held by JP MORGAN Chase & Company, Barclays Bank PLC, Cisco Capital, Citibank USA Inc., Credit Suisse First Boston LLC, Deutsche Bank Trust Company Americas, and Merrill Lynch Capital Corporation (collectively, LGN Lenders) through the conversion of current loans into equity interests. The petition states that no individual LGN Lender is expected to have an interest in LGN Holding's common stock of more than 19%. In addition, following the Transactions, the LGN Shareholders will hold a collective 20% ownership interest in LGN Holding. As a result, no single entity, including the individual LGN Lenders, will own a majority of the common shares and control will be dispersed among several entities.

The Petitioner indicates that grant of this petition will serve the public interest by promoting competition among telecommunications providers in New Jersey by strengthening the financial status of LGN through a reduction of the aggregate amount of LGN's debt while allowing LGN continued access to additional funding in order to expand its operations. The petition also states that the proposed Transactions will provide greater operational stability to LGN's customers and ensure that those customers can continue to enjoy high quality, affordable service without interruption. The proposed transaction will not affect the rates, terms or conditions under which LGN provides service in New Jersey. Petitioner has indicated that LGN has two employees in New Jersey and that the transaction will not have a negative impact on them.

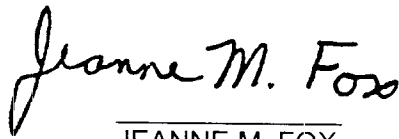
FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board has concluded that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers. All services will continue to be provided to the Petitioner's New Jersey customers without interruption and pursuant to the same tariffs, contracts, rates, terms and conditions in existence prior to the proposed Transactions.

In addition, the Board FINDS that the proposed Transactions will have no negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the proposed Transactions will have no negative impact on the provision of safe, adequate and proper service. Therefore, the Board FINDS that the action proposed to be taken by Petitioner is in accordance with law and in the public interest. The Board HEREBY APPROVES the request by Petitioner for this transaction. Petitioner shall notify the Board of the closing of the proposed Transactions promptly upon consummation of the transfer.

DATED: 9/23/04

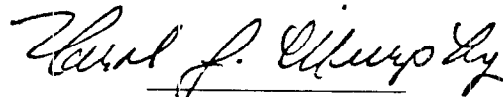
BOARD OF PUBLIC UTILITIES
BY:



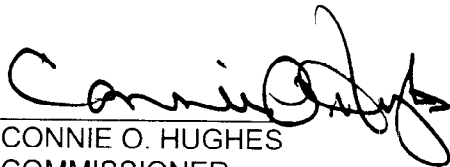
JEANNE M. FOX
PRESIDENT



FREDERICK F. BUTLER
COMMISSIONER



CAROL J. MURPHY
COMMISSIONER



CONNIE O. HUGHES
COMMISSIONER



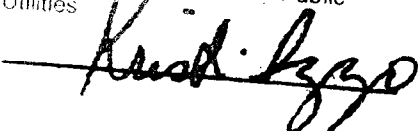
JACK ALTER
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

the within
of the original
Board of Public
Utilities



Service List

Docket No. TM04070685

Richard P. De Angelis, Jr.
Stryker, Tams & Dill LLP
Two Penn Plaza East
Newark, NJ 07105

Catherine Wang
Danielle C. Burt
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, DC 20007-5116

Jody Caro
Vice President and General Counsel
Looking Glass Networks, Inc.
1111 West 22nd Street, Suite 600
Oak Brook, IL 60523

Seema M. Singh, Esq.,
Ratepayer Advocate
Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

James F. Murphy
Rocco Della Serra
Board of Public Utilities
Division of Telecommunications
Two Gateway Center
Newark, NJ 07102

Elise Goldblat
Alex Moreau, Esq.
Department of Law & Public Safety
Division of Law
124 Halsey Street – 5th Floor
P.O. Box 45029
Newark, New Jersey 07102